

STATE CORPORATION COMMISSION

2007 OCT 25 10:37

AT RICHMOND, OCTOBER 25, 2007

APPLICATION OF

VIRGINIA NATURAL GAS, INC.

CASE NO. PUE-2007-00084

For a certificate of public convenience and necessity to construct compressor stations in Caroline and Charles City Counties, Virginia

ORDER FOR NOTICE AND COMMENT

On September 11, 2007, Virginia Natural Gas, Inc. ("VNG" or the "Company") filed an application with the State Corporation Commission ("Commission"), pursuant to the Virginia Utility Facilities Act (§ 56-265.1 et seq.), Chapter 10.1 of Title 56 of the Code of Virginia, for a certificate of public convenience and necessity authorizing the Company to construct a 12,125 horsepower compressor and related facilities on the Company's joint use pipeline ("JUP")¹ in Caroline County, Virginia, and an 8,120 horsepower compressor and related facilities on the Company's lateral pipeline ("VNG Lateral")² in Charles City County, Virginia (collectively "New Compressor Stations"). According to VNG, the New Compressor Stations will be electric motor driven centrifugal compressors, with associated piping and controls, and are estimated to cost approximately \$36.4 million to construct.

VNG's application states the New Compressor Stations are necessary to meet the needs of the Company's customers, particularly those in the Company's South Hampton Roads service territory, as well as to provide additional capacity to Columbia Gas of Virginia, Inc. (CGV) and Virginia Electric and Power Company ("Virginia Power"). According to the Company's

¹ The JUP extends approximately 80 miles from a point in eastern Fauquier County to a point in Hanover County.

² The VNG lateral is approximately 76 miles in length, running southeast from Hanover County to a point in Newport News where it connects with VNG's distribution system at the Company's Northern Gate 4 city gate station.

application, rapid growth throughout Hampton Roads since the 1980's and the configuration of the VNG pipeline system, including the Hampton Roads crossing pipeline ("HRX") approved by the Commission as part of a settlement accepted in VNG's PBR Plan proceeding,³ have created the need for additional, competitively-priced natural gas supplies to meet the demands of VNG's customers, and to provide additional capacity to CGV and Virginia Power. VNG proposes to meet this need for additional gas delivery capability by constructing the New Compressor Stations and increasing the pressure and the amount of gas that can be transported through the JUP and VNG Lateral into Southeastern Hampton Roads. In addition to improving system reliability, the application states the New Compressor Stations will also allow the Company to gain access to gas supplies from a wider variety of sources, which will benefit VNG's customers by providing additional opportunities to obtain natural gas at lower prices from alternate sources.

NOW THE COMMISSION, upon consideration of the application, is of the opinion and finds that the application should be docketed, that notice of the application should be given, that interested persons should be given an opportunity to comment and request a hearing on the application, and that the Commission Staff should investigate the application and file a report with the Commission containing its findings and recommendations.

Accordingly, IT IS ORDERED THAT:

(1) This application be docketed and assigned Case No. PUE-2007-00084, and all associated papers be filed therein.

(2) On or before November 12, 2007, the Company shall file with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, an

³ *Application of Virginia Natural Gas, Inc., For approval of a performance based rate regulation methodology pursuant to Virginia Code § 56-235.6*, Case No. PUE-2005-00057, 2006 S.C.C. Ann. Rept. 341 (Order, July 24, 2006); *Id.*, 2006 S.C.C. Ann. Rept. 350 (Order Closing Cases, Aug. 10, 2006) ("VNG PBR Plan").

original and fifteen (15) copies of the testimony, exhibits, and other material supporting its application for a certificate of public convenience and necessity.

(3) A copy of the Company's application and this Order shall be made available to interested persons who may obtain copies, at no charge, by making a request in writing to counsel for the Company, Edward L. Flippen, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219. Copies are also available for public inspection at the Commission's Document Control Center, Tyler Building, First Floor, 1300 East Main Street, Richmond, Virginia 23219, Monday through Friday, 8:15 a.m. to 5:00 p.m. Unofficial copies of the application and the Commission's Orders herein may be downloaded from the Commission's website: <http://www.scc.virginia.gov/caseinfo.htm>.

(4) On or before November 26, 2007, VNG shall cause to be sent by first class mail a copy of this Order to all owners (as of the date of this Order) of property adjacent to the site of the proposed New Compressor Stations. This requirement shall be satisfied by mailing a copy of this Order to such persons at the addresses indicated in the land books maintained by the commissioner of revenue, director of finance, or treasurer of Caroline and Charles City Counties.

(5) On or before November 26, 2007, the Company shall complete publication of the following notice on one occasion as display advertising (not classified) in newspapers of general circulation within the areas in Caroline and Charles City Counties where the Company proposes to construct the New Compressor Stations and related facilities:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
VIRGINIA NATURAL GAS, INC. FOR A CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING
THE CONSTRUCTION OF COMPRESSOR STATIONS IN
CAROLINE AND CHARLES CITY COUNTIES, VIRGINIA
CASE NO. PUE-2007-00084

On September 11, 2007, Virginia Natural Gas, Inc. ("VNG" or the "Company") filed an application with the State Corporation Commission ("Commission") for a certificate of public convenience and necessity authorizing the Company to construct a 12,125 horsepower compressor and related facilities on the Company's joint use pipeline ("JUP") in Caroline County, Virginia, and an 8,120 horsepower compressor and related facilities on the Company's lateral pipeline ("VNG Lateral") in Charles City County, Virginia (collectively, "New Compressor Stations"). The New Compressor Stations will be electric motor driven centrifugal compressors, with associated piping and controls, and are estimated to cost approximately \$36.4 million to construct.

VNG's application states the New Compressor Stations are necessary to meet the needs of the Company's customers, particularly those in the Company's South Hampton Roads service territory, as well as to provide additional capacity to Columbia Gas of Virginia, Inc. ("CGV") and Virginia Electric and Power Company ("Virginia Power"). According to the Company's application, rapid growth throughout Hampton Roads since the 1980's and the configuration of the VNG pipeline system have created the need for additional, competitively-priced natural gas supplies to meet the demands of VNG's customers, and to provide additional capacity to CGV and Virginia Power. VNG proposes to meet this need for additional gas delivery capability by constructing the New Compressor Stations and increasing the pressure and the amount of gas that can be transported through the JUP and VNG Lateral. In addition to improving system reliability, the application states the New Compressor Stations will also allow the Company to gain access to gas supplies from a wider variety of sources, which will benefit VNG's customers by providing additional opportunities to obtain natural gas at lower prices from alternate sources.

A description of the proposed sites for the New Compressor Stations in Caroline and Charles City Counties follows:

Proposed Site for the Caroline County Compressor Station

Beginning at a point approximately 650 feet east of the centerline of U.S. Route 1 at a point that is approximately 2,400 feet north of the north right-of-way line of State Route 632 (Cedon Road), thence extending northeasterly 550 feet and perpendicular to and north of the Virginia Natural Gas pipeline easement to a point on Dominion's Ladysmith Power Plant property, thence extending southeasterly in a perpendicular direction 550 feet to a point, thence extending southwesterly in a perpendicular direction 550 feet to a point just south of the Virginia Natural Gas pipeline, thence extending northwesterly in a perpendicular direction and parallel with the Virginia Natural Gas pipeline easement 550 feet to the point of beginning and lying in the Madison Magisterial District of the County of Caroline and identified in the records of the Commissioner of Revenue as being part of Tax Map 39-A-212.

Proposed Site for the Charles City County Compressor Station

Beginning at a point approximately 155 feet south of the centerline of Chambers Road and approximately 3,650 feet east of Roxbury Road (0.7 + mile), being approximately 1,500 feet east of the east property line of Dominion Virginia Power, thence extending easterly 660 feet parallel to Chambers Road to a private access road, thence extending southerly 660 feet along said private road to a point, thence extending westerly 660 feet to a point, thence extending northerly 660 feet to the point of the beginning and being bounded on the north, east, south and west by the property belonging to Lexington Corporation and lying in Harrison Magisterial District, Charles City County, Virginia and containing, more or less, 10 acres and identified in the Charles City County Commissioner of Revenue's records as part of Tax Map Parcel 8-1.

A copy of the Company's application and the Commission's Order for Notice and Comment are available, at no charge, by making a request in writing for the same to counsel for the Company, Edward L. Flippen, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219. Copies are also available for public inspection at the Commission's Document Control Center, Tyler Building, First Floor, 1300 East Main Street, Richmond, Virginia 23219, Monday through Friday, 8:15 a.m. to 5:00 p.m. Unofficial copies of the Company's application and the Commission's Order for Notice and Comment in this proceeding may be downloaded from the Commission's website: <http://www.virginia.gov/caseinfo.htm>.

On or before December 10, 2007, any interested person may submit written comments or requests for hearing on the Company's application for a certificate of public convenience and necessity authorizing the construction of the New Compressor Stations. An original and fifteen (15) copies of all such written comments and requests for hearing must be filed with Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Any request for hearing shall state with specificity why the issues raised in the request for hearing cannot be adequately addressed in written comments. If no sufficient request for hearing is received, the Commission may consider the application based on the papers filed without convening a hearing at which oral testimony is received. Persons filing a request for hearing and expecting to participate as a respondent in any hearing that may be scheduled shall also file, on or before December 10, 2007, an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission as required by 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 et seq. Interested persons should refer to the Commission's Order for Notice and Comment for more information on participation as a respondent.

Interested person desiring to submit comments electronically may do so on or before December 10, 2007, by following the instructions available at the Commission's website: <http://www.scc.virginia.gov/caseinfo.htm>. Interested persons shall refer in their comments, requests for hearing, and notices of participation to Case No. PUE-2007-00084 and shall serve a copy upon counsel for the Company at the address set forth above.

Interested persons should consult the Commission's Order for Notice and Comment for further details regarding participation in this proceeding. Unofficial copies of the Company's application, the Commission's Orders entered in this proceeding, the Commission's Rules of Practice and Procedure, as well as other information concerning the Commission and the statutes it administers, may be accessed through the Commission's Document Search Portal at: <http://www.scc.virginia.gov/caseinfo.htm>.

VIRGINIA NATURAL GAS, INC.

(6) On or before November 26, 2007, VNG shall serve a copy of this Order on the chairman of the board of supervisors and the county attorney of Caroline and Charles City

Counties and the mayor or manager of every city and town (or equivalent officials in cities and towns having alternate forms of government) in Caroline and Charles City Counties. Service shall be made by first-class mail or personal delivery to the customary place of business or to the residence of the person served.

(7) On or before December 10, 2007, VNG shall file with the Clerk of the Commission proof of notice and service as required herein.

(8) On or before December 10, 2007, interested persons may submit written comments or requests for hearing on the application by filing an original and fifteen (15) copies of such comments or requests for hearing with Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Any request for hearing shall state with specificity why the issues raised in the request for hearing cannot be adequately addressed in written comments. If no sufficient request for hearing is received, the Commission may consider the application based upon the papers filed herein without convening a hearing at which oral testimony is received. Interested persons shall refer in their comments or requests for hearing to Case No. PUE-2007-00084 and shall serve a copy upon counsel for VNG at the address set forth in Ordering Paragraph (3) above.

(9) Interested person desiring to submit comments electronically may do so on or before December 10, 2007, by following the instructions available at the Commission's website: <http://www.scc.virginia.gov/caseinfo.htm>.

(10) On or before December 10, 2007, any person filing a request for hearing and expecting to participate as a respondent in any hearing that may be scheduled in this matter shall file an original and fifteen (15) copies of a notice of participation as required by 5 VAC 5-20-10 et seq. All notices of participation shall be filed with the Clerk of the Commission at the address

set forth in Ordering Paragraph (8) above. Copies of any notice of participation shall refer to Case No. PUE-2007-00084 and shall simultaneously be served on counsel for the Company at the address set forth in Ordering Paragraph (3) above.

(11) On or before December 20, 2007, the Staff shall investigate VNG's application for a certificate of public convenience and necessity and present its findings and recommendations in a report, or testimony if appropriate, filed with the Clerk of the Commission and shall send a copy to counsel for VNG and each respondent.

(12) On or before January 9, 2008, VNG shall file with the Clerk of the Commission at the address set forth in Ordering Paragraph (8) above an original and fifteen (15) copies of any response, or testimony if appropriate, the Company expects to introduce in rebuttal to the testimony or report of the Staff or the comments or requests for hearing of interested parties. The Company shall also serve a copy of such response or rebuttal testimony upon the Staff and each respondent.

(13) VNG and each respondent shall respond to interrogatories and other data requests within ten (10) calendar days after receipt of the same. Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice and Procedure.

ATTESTED COPIES hereof shall be sent by the Clerk of the Commission to: Edward L. Flippen, Esquire, and Kristian M. Dahl, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219; Shannon Omia Pierce, Senior Regulatory Counsel, AGL Resources Inc., Ten Peachtree Place, 15th Floor, Atlanta, Georgia 30309; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219;

and the Commission's Office of General Counsel and Divisions of Energy Regulation, Public Utility Accounting, Economics and Finance, and Utility and Railroad Safety.